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CURRENT SUPPORT MEMORANDUM

USSR ECONOMIC ASSISTANCE TO EAST GERMANY, 1956-57

OFFICE OF RESEARCH AND REPORTS

CENTRAL INTELLIGENCE AGENCY

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USSR ECONOMIC ASSISTANCE TO EAST GERMANY, 1956-57

The USSR in an effort to ease economic difficulties in East Germany has extended nearly \$2 billion in economic assistance during the period 1956-57. This is the largest amount of economic assistance provided for any of the Satellites during this period. For the first time various estimates of Soviet credits to East Germany can be reconciled. In July 1956 Soviet economic assistance valued at \$1,875 million was made available to East Germany. The Soviet currency credit to East Germany in January 1957 as well as the currency and commodity credits announced in September 1957 represent a specification of general portions of the July 1956 aid program. 1/ To date \$1,701 million of the July 1956 agreement has been allocated, leaving approximately \$174 million for undisclosed purposes.

The assistance to East Germany consists of the following: \$180 million in convertible currency, \$100 in commodities, \$1,441 million representing the cancellation of East German obligations for Soviet troop maintenance, and \$174 million as yet uncommitted. The Table below contains an outline of the value and allocation of Soviet credits to East Germany during 1956-57:

Soviet Economic Assistance to East Germany, 1956-57
(in million US dollars)

<u>Date</u>	<u>Amount</u>	<u>Terms</u>
January 1956	20	A convertible currency credit for the purchase of commodities. To be utilized during 1956 and repaid in 1957 at two percent interest. 2/
July 1956	1,875 of which	
	1,441	A reduction in the GDR share of Soviet troop maintenance costs over a period of four years, 1957-60.
January 1957	85	A convertible currency credit for the purchase of essential goods on the world market. To be utilized during 1957 and repaid during 1959-60 at two percent interest.
September 1957	175	\$75 million in convertible currency; \$100 million in commodities.
		Both credits are to be utilized during 1958 and repaid by goods deliveries within five years after 1 January 1961 and two percent interest.
	<u>174</u>	Residual: Current unobligated.
Total	1,895	

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The first credit during this period was extended in January 1956 and amounted to \$20 million in convertible currency, suggesting that the USSR preferred to provide East Germany with the foreign exchange to purchase materials from the West rather than supply East Germany with materials which are in scarce supply in the Bloc.

East German officials announced in July 1956 that they were to receive additional Soviet assistance worth \$1,875 million consisting of a reduction in the cost of Soviet troop maintenance, an increase in the price paid for East Germany's uranium ore, an atomic reactor, a commodity loan, and a currency loan. A value was specified for only one part of the assistance, \$1,441 million during 1957-60 for a reduction in East Germany's share of the costs of Soviet troop maintenance. 3/

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The USSR subsequently announced two specific credits to East Germany during 1957 accounting for \$260 million more of their aid program. In January an \$85 million loan in convertible currency was made and in September a \$175 million loan in convertible currency and commodities was announced. The latter credit consisted of \$100 million in commodities and \$75 million in convertible currency. Both credits are to be utilized during 1958 and repaid by goods deliveries within five years after 1 January 1961 at two percent interest annually. 5/

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